

Message Text

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51

ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 STR-04 L-02 H-02

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R 081000Z MAY 75

FM AMCONSUL CASABLANCA

TO SECSTATE WASHDC 3469

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E.O. 11652: N/A

TAGS: EINV, ENRG, EIND, MO

SUBJECT: SITREP - - THE ESSO CASE

1. SUMMARY: ESSO MAROC MANAGER SKANE WILL MEET IN LONDON MAY 15 WITH LAWYERS FROM EXXON-NY AND ESSO EUROPE, AND WITH MANAGEMENT OF ESSO AFRICA TO CONSIDER NEXT MOVES IN ESSO-SNPP DISPUTE HERE. IN MEANTIME, NO PROGRESS ON NEGOTIATING FRONT HERE AND ESSO-SNPP WORKING RELATIONSHIP CONTINUES TO DETERIORATE. SKANE THINKS ESSO WILL ALMOST CERTAINLY GO TO MOROCCAN SUPREME COURT SOON TO CHALLENGE JANUARY "REQUISITION" OF COMPANY AS ILLEGAL AND ULTRA VIRES ACT BY PRIME MINISTER AND COMMERCE MINISTER. BELIEVES LONDON MEETING WILL ALSO DECIDE ON STEPS TO TRY TO WITHDRAW TRADE MARK, AS WELL AS CONSIDERING OTHER LEGAL OPTIONS OPEN TO COMPANY. IN MEANTIME, SKANE HAS BEEN REQUESTED SUBMIT TO NEW YORK DOCUMENTATION TO SUPPORT ESSO PRESENTATION TO INTERDEPARTMENTAL COMMITTEE CHARGING ILLEGAL GOM SEIZURE OF ASSETS WITHOUT FAIR AND TIMELY COMPENSATION. END SUMMARY.

2. ON NEGOTIATING FRONT, NOTHING HAS HAPPENED SINCE ESSO PROPOSAL IN JANUARY THAT GOM PAY INTERNATIONALLY CURRENT

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INTEREST RATE ON BLOCKED FUNDS AND RECAPTURE PART BY TAXATION.

PROPOSAL ALLEGEDLY BEFORE MINFIN BUT THERE HAS BEEN NO WORD FROM GOM.

3. MEANWHILE, EXPERIENCE UNDER REQUISITION HAS BEEN SO UNHAPPY FROM ESSO POINT OF VIEW IT APPEARS DOUBTFUL ESSO WOULD NOW CONSIDER ANY SOLUTION OTHER THAN COMPLETE SALE TO GOM AND WITHDRAWAL FROM MOROCCO. SKANE HAS BEEN COMPLETELY FORCED OUT OF COMPANY OPERATIONS. HIS BELGIAN FINANCE DIRECTOR WAS FIRST ORDERED TO REVISE RETROACTIVELY 1974 BALANCE SHEETS AND , WHEN HE REFUSED, WAS ALSO FORCED OUT. FORMER ESSO EMPLOYEE PREVIOUSLY TERMINATED AS NOT QUALIFIED TO BECOME EVENTUAL MOROCCAN GENERAL MANAGER WAS INSTALLED BY SNPP AS ACTING GENERAL MANAGER AND, AS RESULT, TWO OTHER MOROCCAN SENIOR ESSO EXECS HAVE LEFT AND NOW WORKING DIRECTLY FOR SNPP. MOROCCAN ACCOUNTING CHIEF, WHOSE LOYALTY TO SNPP SUSPECT, HAD "RESIGNATION" ACCEPTED WITHOUT OFFERING ONE. THESE AND OTHER PERSONNEL CHANGES, SAYS SKANE, WOULD MAKE RECONSTRUCTION OF MANAGEMENT CADRE IMPOSSIBLE.

4. ESSO ALSO ALLEGES SNPP HAS REVISED 1974 BALANCE SHEET TO REDUCE EARNINGS AND INCREASE LIABILITIES, E.G. LOADING IT WITH DIBIOUS LIABILITIES. 1973 DIVIDEND REPATRIATION A YEAR LATE AND STILL BLOCKED (THOUGH SNPP DISCLAIMS THIS RELATED TO CURRENT IMPASSE). DOLS 100 THOUSAND IN BILLS DUE EXXON FOR SUPPLY PRE-REQUISITION REMAIN UNPAID. ESSO EXPATRIATE MANAGERS DENIED ALL ACCESS TO CORPORATE RECORDS AND ACCOUNTS. ALL THIS, TOGETHER WITH PATTERN OF MINOR HARASSMENT AND UNPLEASANTNESS, HAS SO SOURED ESSO HIGHER LEVELS SKANE BELIEVES THEY WOULD NO LONGER CONSIDER TRYING TO DO BUSINESS IN MOROCCO ON 50-50 BASIS.

5. COMMENT: FROM OTHER SOURCES WITH GOOD ACCESS TO SNPP WE GET NO INDICATION SNPP HAS ANY PLAN EXCEPT TO CONTINUE INDEFINITELY OPERATING COMPANY UNDER REQUISITION. MOST LIKELY NEXT MOVES, THEREFORE, FOLLOWING ESSO MAY 15 LONDON MEETING, ARE ESSO'S--LEGAL CHALLENGES HERE ON REQUISITION AND TRADEMARK AND ACTION IN WASHINGTON TO CHARGE EXPROPRIATION OR PRACTICAL EQUIVALENT BY GOM. ON THE OTHER HAND , WE SUSPECT ESSO WOULD GLADLY SELL OUT IF THEY COULD GET A COSMETICALLY RESPECTABLE DEAL RATHER THAN GO THROUGH PROTRACTED LEGAL FIGHT. LIMITED OFFICIAL USE

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